

Message Text

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11

ACTION NEA-16

INFO OCT-01 ISO-00 EUR-25 EA-11 AGR-20 FEA-02 FPC-01

AID-20 CIAE-00 COME-00 EB-11 FRB-02 INR-10 NSAE-00

RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03 CIEP-02 LAB-06

SIL-01 OMB-01 NSC-07 SS-20 STR-08 CEA-02 L-03 H-03

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R 140608Z JUN 74

FM AMEMBASSY ISLAMABAD

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E.O. 11652: N/A

TAGS: EFIN, PK

SUBJECT: REACTION OF BUSINESS COMMUNITY TO FEDERAL BUDGET

FOL TEL SENT ACTION ISLAMABAD INFO KARACHI FROM LAHORE

JUNE 13 REPEATED TO YOU:

QUOTE

LIMITED OFFICIAL USE LAHORE 0856

FOR AMSTUTZ

E.O. 11652: N/A

TAGS: EFIN, PK

SUBJECT: REACTION OF BUSINESS COMMUNITY TO FEDERAL BUDGET

REF. A. ISLAMABAD 5580

B. YOUR SAVACALL IL009 JUNE 11

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1. IN GENERAL, BUSINESS COMMUNITY IS NOT UNHAPPY WITH NEW BUDGET BECAUSE IT WAS NOT AS "BAD" AS BUSINESSMEN FEARED, BUT SEVERAL OF OUR CONTACTS HAVE EXPRESSED APPREHENSION THAT LOW INCOME GROUPS WILL SOON BEGIN TO COMPLAIN ABOUT HIGHER COSTS OF CONSUMER GOODS AND TRANSPORTATION. BUSINESSMEN EXPECT THIS TO AFFECT THEM WITH STRIKES AND PERHAPS MASS DISCONTENT ABOUT PRICES. ONLY OTHER GENERAL GRIPE WE HAVE HEARD FROM BUSINESS COMMUNITY CONCERNS FIFTY PERCENT HIKE IN COST OF LIQUOR LICENSES, AS PROVIDED IN PROVINCIAL BUDGET.

2. SEVERAL BUSINESSMEN HAVE TERMED BUDGET "REALISTIC." CONCESSIONS TO STOCK MARKET HAVE BEEN WIDELY PRIZED BY MEMBERS OF LAHORE CHAMBER OF COMMERCE AND LAHORE STOCK EXCHANGE PRESIDENT HUSSAIN, WHO HOPE ACTION WILL ENCOURAGE PRIVATE INVESTMENT. ALL PAKISTAN TEXTILE MILLS ASSOCIATION PRESIDENT MONNOO WAS GENERALLY RELIEVED THAT EXPORT DUTIES ON COTTON, YARN AND TEXTILES WERE REDUCED, BUT SEVERAL MILL OWNERS HAVE COMMENTED THAT GOP DELAY IN TAKING ACTION MAY HAVE ADVERSELY AFFECTED PAKISTAN'S COMPETITIVE POSITION VIS-A-VIS COUNTRIES SUCH AS INDIA AND SUDAN.

3. BUSINESSMEN NOTE THAT, WHILE SALARIED EMPLOYEES WILL WELCOME TEN PERCENT INCREASE IN DEARNNESS ALLOWANCE, MEASURE WILL PROBABLY ADD TO PRODUCTION COSTS, AND THEREBY TO PRICES OF INDUSTRIAL PRODUCTS. THEY BELIEVE PRICE INCREASE IN GOVERNMENT-RUN CONCERNS (RAILROADS, PETROLEUM, SUGAR, GHEE, ETC.) WILL NOT ONLY HIT LOW INCOME GROUPS, BUT WILL ALSO PRECIPITATE INCREASED PRICES ALL AROUND.

4. SMALL BUSINESSMEN HAVE ALREADY JUMPED GUN ON PRICE INCREASES. VEGETABLE GHEE DEALERS, SUGAR RATION DEPOTS AND GASOLINE STATIONS UPPED PRICES TO REVISED RATES ON JUNE 9. AS RESULT, TAXI DRIVERS HAVE TURNED OFF METERS AND DEMAND EXTRA FARE TO COMPENSATE FOR HIGHER GAS PRICES, AND MOTOR TRANSPORT FEDERATION HAS DEMANDED 25 PERCENT INCREASE IN BUS FARES.
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